

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 AID-05 CIAE-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 L-03 H-02 SSM-05 DODE-00 PA-02 PRS-01 IGA-02
/107 W

-----231353 011368 /46

P R 231150Z FEB 77
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC PRIORITY 7379
INFO USDOC WASHDC
AMCONSUL DHAHRAN

UNCLAS SECTION 1 OF 2 JIDDA 1467

E.O. 11652: N/A
TAGS: BEXP, BENC, SA, US
SUBJECT: CANCELLATION OF TENDERS

REF: JIDDA 1352 AND PREVIOUS; USDOC 2948

1. COUNCIL OF MINISTERS, ACCORDING TO PRESS ACCOUNTS,
COMPLETED REVIEW OF TENDERING/BIDDING PROCESS AND ISSUED
FOLLOWING STATEMENT FEBRUARY 22,1977 (FREELY TRANSLATED).
BEGIN QUOTE

"AFTER THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA HAD
EMBARKED ON AN AMBITIOUS DEVELOPMENT PROGRAM AIMED AT
REALIZING DIGNITY AND PROSPERITY FOR ITS PEOPLE, IT INVITED
INTERNATIONAL COMPANIES FROM FRIENDLY STATES TO TAKE PART IN
THE IMPLEMENTATION OF THIS PROGRAM, AS IT BELIEVES IN INTER-
NATIONAL COOPERATION AND CONSIDERS THAT FRIENDSHIP AMONG
PEOPLES GROWS CLOSER WITH THE GROWTH OF MUTUAL INTERESTS.

"IT HAS NOW COME TO THE NOTICE OF THE GOVERNMENT
OF THE KINGDOM OF SAUDI ARABIA THAT THE COST OF ITS
PROGRAM HAS INCREASED CONSTANTLY AND APPRECIABLY OF
LATE - OVER A SHORT PERIOD OF TIME THAT CONTRADICTED ALL
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PRETEXTS OF INTERNATIONAL AND DOMESTIC INFLATION AND IG-
NORED THE INTENSIFIED GOVERNMENT EFFORTS TO CREATE THE
RIGHT ATMOSPHERE BOTH FOR THE CITIZENS AND FOR THE OPER-
ATING COMPANIES FOR PRODUCTIVE WORK.

"THIS HAS RECENTLY PROMPTED THE GOVERNMENT TO CANCEL
PROJECTS THAT ARE VITAL TO THE INTERESTS AND PROSPERITY
OF THE PEOPLE OF THIS COUNTRY.

"A PROBE OF THE REASONS THAT HAVE LED TO THIS SITUATION INDICATES THE FOLLOWING:

"1. SOME CONSULTING COMPANIES ARE PLANNING PROJECTS OF SIZES AND SPECIFICATIONS HIGHER THAN THE PRACTICAL GOALS OF THESE PROJECTS, IN A WAY TO CONTRADICT THE PUBLIC INTEREST AND CAUSE DOUBT ABOUT THE HONESTY OF THE COMPANIES AND THE EXTENT OF THEIR COLLUSION WITH THE CONTRACTING COMPANIES.

"2. SOME COMPANIES BIDDING FOR THE SAME PROJECT HAVE AGREED TO FIX THE PRICE OF THEIR BIDS TO SHARE IN ILLEGAL PROFIT (BY THE WINNING FIRM).

"3. OTHER COMPANIES HAVE EXPLOITED THE DESIRE OF THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA TO IMPLEMENT DEVELOPMENT PROGRAMS WITH UTMOST DISPATCH AND RESORTED TO INCREASING COSTS TO UNACCEPTABLE LEVELS.

"4. SOME MIDDLEMEN HAVE CONVINCED SOME COMPANIES THAT THEY CAN PROVIDE THEM WITH WORK IN THE COUNTRY THROUGH THEIR PERSONAL INFLUENCE, REGARDLESS OF THE COSTS AND THEIR SIZE.

"5. SOME COMPANIES IN THE INDUSTRIALIZED STATES SET PRICES FOR THEIR EXPORTS TO THE KINGDOM WHICH ARE MUCH HIGHER THAN THOSE SET FOR OTHER COUNTRIES IMPORTING THE SAME GOODS AT THE SAME TIME.

"6. SOME LOCAL COMPANIES BIDDING ON GOVERNMENT TENDERS HAVE BEEN CARRIED AWAY IN THE SAME DIRECTION AND HAVE INCREASED THEIR PRICES WITHOUT JUSTIFICATION.

"THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA WANTS TO STATE THAT IT WILL NOT ALLOW THOSE CAUSES TO OBSTRUCT OR DIVERT THE DEVELOPMENT MARCH OF THE KINGDOM, AND THAT UNCLASSIFIED

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WHILE IT IS DETERMINED TO MAINTAIN ITS COMMITMENTS TO ITS PEOPLE, IT STRESSES ITS DETERMINATION TO PRESERVE ITS WEALTH AND SAVINGS.

"CONSEQUENTLY, THE COUNCIL OF MINISTERS HAS ADOPTED THE FOLLOWING DECISIONS:

"FIRST, CONTRACTS OF CONSULTING FIRMS WHICH DESIGN PROJECTS OF SIZES AND SPECIFICATIONS HIGHER THAN THE PRACTICAL GOALS DESIRED WILL BE RECONDERED.

"SECOND, THE EXECUTIVE INSTITUTIONS OF THE GOVERNMENT WILL CANCEL ALL TENDERS OF EXAGGERATED COSTS OR UNSOUND FINANCIAL BASIS.

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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC PRIORITY 7380
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AMCONSUL DHAHRAN

UNCLAS SECTION 2 OF 2 JIDDA 1467

"THIRD, COMPANIES WHICH CONSTANTLY PAD THEIR BIDS
WILL BE BARRED FROM GOVERNMENT TENDERS AND ALSO BARRED
AS JUDICIAL OR NATURAL PERSONS FROM DOING BUSINESS IN THE
KINGDOM OF SAUDI ARABIA, WITH THE BAN ISSUED BY THE
COUNCIL OF MINISTERS AT THE REQUEST OF THE COMPETENT
MINISTER.

"FOURTH, THERE WILL BE A RECONSIDERATION OF DEALING
WITH ORGANIZATIONS OR COMPANIES WHICH SET PRICES FOR THE
KINGDOM OF SAUDI ARABIA MUCH HIGHER THAN INTERNATIONAL
PRICES FOR SERVICES AND MANUFACTURED GOODS.

"FIFTH, COMPANIES ARE BARRED FROM SEEKING THE HELP
OF AGENTS AND MIDDLEMEN. THEY MAY SEEK THE HELP OF
SAUDI BUSINESSMEN AS AGENTS IN ACCORDANCE WITH THE RULES
AND REGULATIONS WHICH THE COUNCIL OF MINISTERS WILL
ISSUE TO ORGANIZE THE RELATIONSHIP BETWEEN THE FOREIGN
CONTRACTOR AND HIS SAUDI AGENT." END QUOTE.

2. PRESS ITEMS REPORT THAT COUNCIL OF MINISTERS THEN
STUDIED BILL CONCERNING RELATIONSHIP BETWEEN FOREIGN
COMPANIES AND THEIR SAUDI AGENTS AND DECIDED TO CONTINUE
STUDY SUBJECT AT A LATER DATE.

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3. COMMENTING ON COUNCIL'S STATEMENT, MINISTER OF
INFORMATION, DR. MUHAMMAD ABDO YAMANI WAS REPORTED TO
HAVE SAID THAT COUNCIL'S STATEMENT WAS PRIMARILY DESIGNED
TO MAKE THE SAG'S POSITION ABSOLUTELY CLEAR FOR
COMPANIES OPERATING IN THE KINGDOM. HE SAID SAG WEL-
COMED ANY COMPANY DESIRING TO WORK IN THE COUNTRY,
ADHERING TO THE COUNTRY'S LAWS IN GOOD FAITH. BUT

COMPANIES WHICH TRY TO EXPLOIT THE SITUATION WILL HAVE
TO BEAR THE CONSEQUENCES OF THEIR ACTIONS. HE POINTED
TO THE RECENT ACTIONS OF THE MINISTRIES OF INDUSTRY AND
ELECTRICITY AND MUNICIPAL AND RURAL AFFAIRS IN CANCELLING
TENDERS OF COMPANIES WHICH PADDED THEIR BIDS AS CASE IN
POINT.
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